

Message Text

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CARACAS FOR STEPHEN ROGERS

EO 11652: NA

TAGS: ETRD, EFICN, CO

SUBJ: LIEVANO PROPOSAL FOR EXPANDING TRADE

1. SUMMARY. FOREIGN MINISTRY OFFICIAL DESCRIBED TRADE PROPOSALS COLOMBIANS ARE DEVELOPING FOR PRESENTATION TO OTHER LATINGS AND TO US. GOC ANTICIPATES INFORMAL DISCUSSION DURING CIES AND FORMAL CONSIDERATION AT JUNE OASGA. US COMMENTED INFORMALLY ON COLOMBIAN IDEAS AND PROMISED TO CONSIDER THEM FURTHER IN TRADE TASK FORCE. ELEMENTS BEING CONSIDERED INCLUDE: FURTHER LIBERALIZATION OF LATIN IMPORTS INTO US, MEASURES TO INCREASE SECURITY OF ACCESS TO US MARKET, WESTERN HEMISPHERE COMMODITY AGREEMENTS, PREFERENTIAL TREATMENT UNDER ORS, AND AMENDMENTS TO TRADE ACT PROVISIONS CONCERNING EXCAPE CLAUSE AND GSP. END SUMMARY.

2. AMBASSADOR, ROGERS (ARA/ECP) AND ECON COUNSELOR GIBSON CALLED ON ROBERTO SOTO, UNDERSECRETARY FOR ECONOMIC AFFAIRS IN FOREIGN MINISTRY WHO IS CHARGED WITH DEVELOPING PROGRAM TO IMPLEMENT LIEVANO PROPOSAL, AND FERNANDO TORRES OF FOREIGN MINISTRY. SOTO SAID HIS MINISTRY HAS DEVELOPED DRAFT AIDE MEMOIRE WHICH, WHEN FURTHER REFINED, WILL BE PRESENTED TO OTHER LATINS AND TO US FOR CONSIDERATION. COLOMBIANS ENVISAGE INFORMAL CONSIDERATION
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AT TIME OF CIES MEETING IN WASHINGTON, AND PROBABLY (DEPEND-

ING ON REACTION OF OTHERS) PRESENTATION OF PROGRAM IN SANTIAGO OASGA.

3. CONTACTS WITH OTHER LATINS HAVE BEEN LIMITED TO DATE TO LETTERS FROM URUGUAYAN AND BRAZILIAN FOREIGN MINISTERS AND BRIEF CONTACT WITH PERUVIAN AMBASSADOR HERE AND CHILEAN FINANCE MINISTER ON VISIT HERE LAST WEEK. SOTO COMMENTED THAT COLOMBIA WOULD OPPOSE URUGUAYAN IDEA THAT LATINS HOLD CONFERENCE PRIOR OASGA ON PROPOSALS, BOTH BECAUSE SUCH A MEETING WOULD ENCOURAGE LATIN-US CONFRONTATION APPROACH AND BECAUSE NATURAL FORUM FOR SUCH MEETING, IF IT WERE TO TAKE PLACE, WOULD BE SELA.

4. SOTO INDICATED THAT COLOMBIANS BELIEVE SITUATION HAS EVOLVED SINCE THEIR PROPOSALS FOR HEMISPHERIC PREFERENCES MADE IN OAS/SCCN IN 1969-70: LOME CONVENTION IS NOW IN PLACE; THERE IS NO LONGER ANY POSSIBILITY OF EC PREFERENCES FOR LATIN AMERICA; AND US TRADE ACT INCLUDING GSP IS IN EFFECT. GOC BELIEVES THEREFORE THAT TIME IS RIPE FOR NEW CONSIDERATION OF HOW SPECIAL RELATIONSHIP BETWEEN US AND LATIN AMERICA CAN BE MADE REAL, AND TRADE POLICY IS AREA OF MOST MEANING.

5. COLOMBIANS WILL TRY THIS TIME TO WORK WITH OTHER LATINS TO AVOID OBJECTIONS SINGLE-COUNTRY PROPOSAL WOULD RAISE. GSP IS NOT ENOUGH, SOTO SAID, AND IN FACT SPECIAL RELATIONSHIP SHOULD NOT BE LIMITED TO TARIFF PREFERENCES. HE MENTIONED THAT MOST SERIOUS COLOMBIAN TRADE DIFFICULTIES WITH US DO NOT INVOLVE DUTIES BUT RATHER THE APPLICATION OF COMPETITIVE NEED LIMITATIONS ON GSP AND THE EXISTENCE OR THREAT OF RESTRICTIONS ON TEXTILES, SUGAR, SHRIMP, AND CUT FLOWERS. SOTO ALSO

SAID THAT GOC IS NOT THINKING IN TERMS OF GRANDIOSE "NEW DIVISION OF LABOR." BUT RATHER OF PRACTICAL MEASURES TO DEAL WITH SPECIFIC TRADE PROBLEMS AND SPECIFIC TRADE OPPORTUNITIES.

6. SOTO DESCRIBED SPECIFIC PROPOSALS THAT HIS TASK FORCE IS CONSIDERING.

A. FURTHER PREFERENTIAL LIBERALIZATION OF DUTIES ON PRODUCTS OF SPECIFIC INTEREST TO LA. SOTO SAID COLOMBIANS ENVISAGE THAT LIMITED OFFICIAL USE

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US, BECAUSE OF ITS WORLDWIDE RESPONSIBILITIES, WOULD WANT TO EXTEND SUCH PREFERENCES TO ALL NON-LOME COUNTRIES AND NOT LIMIT THEM TO LATIN AMERICA. (ROGERS COMMENTED THAT IT MIGHT IN FACT BE EASIER FOR US TO EXTEND ANY ADDITIONS TO GSP TO ALL PRESENT BENEFICIARIES, RATHER THAN DISCRIMINATE AMONG THEM. SOTO APPEARED TO ACCEPT THIS POINT).

B. SYSTEM TO GUARANTEE ACCESS WITHOUT RESTRICTION UP TO CERTAIN

SPECIFIED LIMITS FOR LATIN PRODUCTS. ESCAPE CLAUSE, COUNTERVAILING DUTY OR OTHER RESTRICTIONS IMPOSED TO PROTECT US INDUSTRY WOULD BECOME EFFECTIVE ONLY FOR AMOUNTS IN EXCESS OF GUARANTEED QUANTITY. SOTO CLEARLY HAD IN MIND SHRIMP AND CUT CLOWERS.

C. WESTERN HEMISPHERE COMMODITY AGREEMENTS. THEY WOULD PROVIDE ADDITIONAL BENEFITS COMPARABLE TO THOSE ACP PRODUCERS GET FROM COMMODITY AGREEMENTS UNDER LOME CONVENTION.

D. ASSURANCE THAT EXPORTS WOULD NOT BE RESTRICTED BECAUSE OF LOWER COSTS OF PRODUCTION, E.G., LOWER COST OF OIL IN COLOMBIA BECAUSE OF SUBSIDIZATION TO THE ECONOMY AS A WHOLE.

E. ACCEPTANCE OF EXPORT SUBSIDIES FOR NEW INDUSTRIES ON TEMPORARY BASIS.

F. PREFERENCE FOR LATIN AMERICA, IN FORM OF SIZE OF INITIAL QUOTAS AND IN GROWTH PROVISIONS, WHERE QUANTITATIVE RESTRICTIONS CANNOT BE AVOIDED.

G. GUARANTEED MARGINS OF PREFERENCE. IN RESPONSE TO COMMENTS AND QUESTIONS, SOTO MODIFIED PROPOSAL TO SUGGEST THAT MARGINS WOULD BE REDUCED ONLY AS COMPARABLE PREFERENCE MARGINS UNDER LOME WERE REDUCED, SO THAT US MFN CUTS COULD PROCEED PARALLEL TO CUTS IN EC'S MFN RATES SUPPLEMENTING THIS PROPOSAL, TORRES SUGGESTED POSSIBILITY OF STAGED AND LESS-THAN-ZERO-DUTY PREFERENCES FOR LATIN AMERICA WHERE FULL GSP NOT POSSIBLE.

H. NOTIFICATION AND CONSULTATION SYSTEM (COMPARABLE TO OECD'S) FOR TRADE MEASURES, WITH PRIOR NOTIFICATION WHENEVER POSSIBLE.

I. AMENDMENT OF US TRADE ACT PROVISIONS CONCERNING (1) RULES OF ORIGIN FOR FREE -TRADE AREAS: (2) GSP COMPETITIVE NED LIMITED OFFICIAL USE

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(ELIMINATION OR LIBERZLIZATION AS APPLIED TO LATIN AMERICA); (3) MANDATED GSP EXCEPTIONS (TEXTILES, ETC); (4) OPEC EXCLUSION.

7. COLOMBIANS ENVISAGE OAS MINISTERS GIVING DIRECION TO TRADE PROGRAM, WHICH WOULD BE PURSUED IN CIES AND PARTICULARLY IN SCCN. SOTO RECOGNIZED LIMITATIONS OF OAS, HOWEVER, AND SUGGESTED THAT TRADE FUNCTION IN OAS SHOULD EITHER BE MADE TO WORK OR BE CLOSED DOWN.

8. WE SUGGESTED PROGRAM COULD BE MORE MEANINGFUL IF MECHANISM ESTABLISHED COULD BE USED IN BOTH DIRECTIONS, SO US COULD USE IT FOR CONSIDERATION OF ITS TRADE PROBLEMS IN LATIN AMERICA. SOTO FULLY AGREED. HE ALSO AGREED THAT SUBJECT OF DISCUSSION SHOULD INCLUDE MORE THAN JUST US-LATIN TRADE, THOUGH HE SHOWED MORE ENTHUSIASM ABOUT CONSIDERING LATIN-THIRD COUNTRY TRADE PROBLEMS

(E.G., EC TAXES APPLIED TO LATIN BUT NOT LOME COFFEE) THAN
INTRA-LATIN AMERICAN TRADE PROBLEMS.

9. COMMENT. THROUGHOUT DISCUSSION SOTO SHOWED UNDERSTANDING
OF US POSITION IN THE WORLD, OF THE NEED TO MAINTAIN SOME
POSSIBILITY FOR EXCEPTIONAL PROTECTION OF US PRODUCERS, AND
OF THE LIMITED POSSIBILITIES--ESPECIALLY IN 1976--FOR AMENDMENT
OF THE TRADE ACT. DISCUSSION WAS USEFUL AND TIMELY, GIVEN STATE
OF COLOMBIAN CONSIDERATION OF PROPOSED AIDE MEMOIRE. SOTO
SAID THAT HE WOULD MENTION DISCUSSIONS IN MEETING SCHEDULED
FOR SAME AFTERNOON WITH FOREIGN MINISTER LIEVANO. AMBASSADOR HAS
APPOINTMENT TO SEE LIEVANO WEDNESDAY.
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